

CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 01/24/06

AGENDA ITEM 3

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: Acting Finance and Internal Services Director

SUBJECT: Approval of Equipment Lease Financing

RECOMMENDATION:

It is recommended that City Council adopt the attached resolution authorizing the City Manager to execute an Equipment Lease-Purchase Agreement and other documents necessary to obtain equipment lease financing.

BACKGROUND:

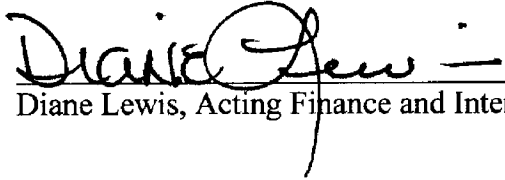
The adopted 2005-06 Operating Budget provides for the acquisition of numerous motor vehicles, several of which are high cost items with relatively long service life such as an aerial tree trimming truck, truck-mounted sewer flusher, fire pumper, water utility truck, and several other vehicles.

Whenever acquisitions of this type are made staff reviews the purchases to determine if a lease-purchase financing option would be beneficial. The advantage of a lease is the availability of low interest rates and the ability to positively impact the finances of the Equipment Management Fund by budgeting for payments over time, yet the equipment is owned by the City upon final payment. After reviewing the proposed acquisitions, staff determined that lease financing of this equipment would be beneficial.

The total purchase price of the equipment is approximately \$ 1,656,763 if purchased outright. Staff sent Requests for Proposals to several lease financing firms and six (6) proposals were received. The proposed interest rates ranged from 3.72% Annual Percentage Rate (APR) to 4.52%. Overall, the most advantageous proposal was submitted by La Salle Bank National Association which provided a 60 day rate locked APR of 3.92%. This is more advantageous to the City given the need for Council action, and the need to complete numerous documents. The equipment would be financed over a period of 5 years with principal and interest payments totaling approximately \$1,835,933. Based on the proposals, staff is recommending that the City enter into a lease purchase agreement with La Salle Bank.

The lease documents are on file with the City Clerk and are available for review.

Recommended by:

A handwritten signature in black ink, appearing to read "Diane Lewis", written over a horizontal line.

Diane Lewis, Acting Finance and Internal Services Director

Approved by:

A handwritten signature in black ink, appearing to read "Jesús Armas", written over a horizontal line.

Jesús Armas, City Manager

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

**RESOLUTION AUTHORIZING EXECUTION OF
EQUIPMENT LEASE/PURCHASE AGREEMENT AND
OTHER DOCUMENTS NECESSARY TO PROCURE
EQUIPMENT LEASE FINANCING FROM LA SALLE BANK**

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby authorizes the City Manager to execute an Equipment Lease/Purchase Agreement, and other documents that may be necessary in order to procure equipment lease financing necessary from La Salle Bank, on terms satisfactory to the City Manager and in a form approved by the City Attorney. Such lease agreement shall be subject to the City Council's annual appropriation of funds.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2006

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward